A E Thomson Ltd

Independent Financial Advisers

MARCH/APRIL 2020

PLANNING FOR TOMORROW

WILL MY RETIREMENT INCOME BE ENOUGH TO LIVE COMFORTABLY?

TOP 4 TIPS FOR GOOD TAX PLANNING
What should I consider before the end of this tax year?

PRESERVING YOUR LEGACY
How to keep your wealth in the family

2019/20 ISA ALLOWANCE – USE IT OR LOSE IT
Maximise your wealth creation – don't miss the deadline

A E Thomson Ltd
62b High Street, Sutton, Ely, Cambridgeshire, CB6 2RA
T: 01353 778738 F: 01353 777898 E: enquiries@aethomson.com

www.aethomson.com

A E Thomson Ltd is authorised and regulated by the Financial Conduct Authority

INSIDE THIS ISSUE

Welcome to our latest edition. At the time of writing this issue, Sajid Javid had resigned as Chancellor of the Exchequer with less than a month to go until Budget Day. His replacement, Rishi Sunak, will deliver the Budget on 11 March 2020. In our next issue, we'll look at the key Budget announcements and how they could affect your finances.

Some of the questions our clients almost always ask us are: 'Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?' Worryingly, it's been well documented that many Britons aren't saving enough in their pension for their retirement. On page 08, figures published by HM Revenue & Customs (HMRC) in September 2019 show that the annual average contributions that every individual makes decreased in 2017/18 compared to 2016/17. We look at what you need to consider when saving for retirement.

The end of the 2019/20 tax year is fast approaching, and there are a number of valuable allowances and reliefs that will be lost if they are not used before the deadline. These opportunities include, but are not limited to, four important areas of tax planning that should be considered. On page 03, we've summarised these allowances and suggest that if appropriate to your particular situation, these areas should be reviewed before 5 April 2020.

Are you worried about leaving an inheritance to your loved ones and then having them pay tax on your legacy? No one likes to think about a time when they won't be here, but unfortunately the reality is that some people aren't prepared financially. Estates that pass on to a spouse, registered civil partner or charities are exempt from Inheritance Tax (IHT), even if the value of such estates is higher than the threshold limits. Estates that pass on to anyone else, including siblings, children and grandchildren, attract IHT. Turn to page 07.

A full list of the articles featured in this issue appears opposite.

AN UNDERSTANDING OF YOUR FINANCIAL NEEDS AND ASPIRATIONS

We hope you enjoy this issue. Whether you're saving for the future, enjoying your retirement or funding care in later life, if you have any further requirements, please contact us – we look forward to hearing from you.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results.

Contents

04
TOP 4 TIPS FOR GOOD TAX PLANNING
What should I consider before the end of this tax year?

06
TIME TO GIVE YOUR PENSION POT A BOOST?
Planning ahead for the financial future you want

08
PORTFOLIO DIVERSIFICATION
Don't put all your eggs in one basket

09
PRESERVING YOUR LEGACY
How to keep your wealth in the family

10
PLANNING FOR TOMORROW
Will my retirement income be enough to live on comfortably?

12
DIVORCEES RISK LOSING OUT ON PENSIONS
Dividing this asset is of vital importance to avoid pension poverty

13
RETIREMENT OPTIONS
£19m released each day since pension freedoms launch

14
RETIREMENT SAVINGS LONGEVITY
Are you facing a pensions challenge?

15
FUTURE RETIREMENT SECURITY
More younger women opting out of pensions

16
HAVE YOU PLANNED FOR THE UNEXPECTED?
One in eight homebuyers don't discuss their protection needs

17
INFLATION MATTERS
One of the biggest threats to the health of your investment portfolio

18
UNLOCKING PROPERTY WEALTH
Are you 'property rich' but want or need more than you have saved?

19
LIFESTYLE PROTECTION
One in five self-employed and contract workers unable to survive a week without work

20
DISCOVER A CLEARER FINANCIAL FUTURE
Professional financial advice tailored to you

21
MILLENNIAL MONEY
Social and environmental good as well as financial returns

22
STRATEGY FOR FINANCIAL WELL-BEING
Government guidance body launches five goals

23
EMPLOYEE WELL-BEING
Active steps to make sure your people are happy, healthy and financially sound

24
2019/20 ISA ALLOWANCE – USE IT OR LOSE IT
Maximise your wealth creation – don't miss the deadline

TOP 4 TIPS FOR GOOD TAX PLANNING

WHAT SHOULD I CONSIDER BEFORE THE END OF THIS TAX YEAR?

The end of the 2019/20 tax year is fast approaching, and there are a number of valuable allowances and reliefs that will be lost if they are not used before the deadline.

These opportunities include, but are not limited to, four important areas of tax planning. We've summarised these allowances below and suggest that if appropriate to your particular situation, these areas should be reviewed before 5 April 2020.

1. TAKE YOUR ISA CONTRIBUTIONS TO THE MAX

The term 'ISA' stands for 'Individual Savings Account', which allows you to save tax-efficiently into a cash savings or investment account. With a Cash ISA or a Stocks & Shares ISA (or a combination of the two), you can save or invest up to £20,000 a year tax-efficiently. Your ISA allowance doesn't roll over into a subsequent tax year, so if you don't use it, you'll lose out forever.

If you are in a position to, it may make sense for you and your spouse to take advantage of each other's ISA allowance, particularly if one of you has more financial resources than the other. That way, you can save (in the case of Cash ISAs) or invest (in the case of Stocks & Shares ISAs) up to £40,000 tax-efficiently in the current tax year.

Also, 16 and 17-year-olds actually have two ISA allowances, as they're able to open a Junior ISA (once they have transferred their Child Trust Fund [CTF] to their Junior ISA and closed the CTF), which for 2019/20 has a limit of £4,368, as well as an adult Cash ISA. This means that you could put away up to £24,368 in your child's name tax-efficiently this tax year.

People aged 18–39 can open a Lifetime ISA, which entitles them to save up to £4,000 tax-efficiently a year until they're 50. The Government will top up the savings by 25%, up to a maximum of £1,000 a year.

Viewing your and your spouse's allowances as one will allow you to make the most of these tax advantages.

2. MAKE THE MOST OF YOUR PENSION TAX RELIEFS

Now is also the time to check you are taking full advantage of your pension tax reliefs and allowances. Normally, between you and your employer, you can contribute a maximum of £40,000 into your pension in a tax year (this is called your 'annual allowance'). If you earn less than £40,000 a year, tax relief will only be available on contributions with a gross equivalent equal to your income. However, for high earners with a taxable income of more than £150,000 per year, this is tapered downwards.

If you don't manage to make full use of your £40,000 pensions annual allowance this tax year, you can carry it forward for up to three years. For example, in the current 2019/20 tax year, you could carry forward unused contributions from 2016/17, 2017/18 and 2018/19, but the clock re-starts on 6 April this year.

3. TACKLE THE ONGOING ISSUE OF INHERITANCE TAX

Inheritance Tax (IHT) is usually payable at 40% on the portion of an estate that exceeds the £325,000 nil-rate band (NRB). Like the NRB, the unused percentage of the residence nil-rate band (RNRB) can be transferred between spouses and registered civil partners.

The RNRB is on top of the NRB, allowing individuals to pass on a qualifying residential property to their direct descendants. The maximum RNRB is £150,000 this year, and next year a couple will be able to combine their NRB and RNRB allowances to pass on property worth £1 million free of IHT. The RNRB is reduced by £1 for every £2 that the value of the net estate exceeds £2 million.

You can act at any time to help reduce potential IHT. However, gifting money is an area that is subject to an annual limit, which runs from the start of the tax year, and could be worth adding to your year-end to-do list. Tax exemptions released through gifting should form a key part of IHT planning.

The annual allowance means you can gift up to £3,000 each year, exempt from IHT – so as a couple, you can make £6,000 worth of gifts. It can also be carried forward for one year.

You can give as many gifts of up to £250 to as many people as you like – that is, unless the person has already received a gift equating to the annual £3,000 exemption. Some types of gifts, such as wedding gifts or gifts to help with living costs, can also be given tax-free.

However, another factor to consider is the legislation around IHT, which could be subject to change in the near future. The Office of Tax Simplification is currently undertaking a significant review that could inform forthcoming policy decisions, so this year – before any changes come into force – reviewing your IHT plans, including gifting, should be a priority.

This is a complex area with qualifying conditions and requires expert estate planning advice.

4. PLAN TO REDUCE A CAPITAL GAINS TAX BILL

Capital Gains Tax (CGT) is a tax on the profits you make when you sell something such as an investment portfolio or a second property. Everyone has an annual allowance of £12,000 (in 2019/20) before CGT applies.

The allowance is for individuals, so couples have a joint allowance for 2019/20 of £24,000. If appropriate to your particular situation, it might be worth considering transferring an asset into your joint names so you both stay within your individual allowances.

Any gains in excess of the allowance are charged to CGT at either 18% (basic-rate taxpayers) or 28% (higher-rate taxpayers), depending on the individual's other total taxable income in the year the gain arises.

An important thing to remember with this aspect of taxation is that any losses you make on sales can be offset against your capital gains for CGT purposes.

Currently, CGT on the sale of a residential property, other than your main residence, is payable under self-assessment and will not be due until 31 January following the end of the tax year. This will change with effect from 6 April 2020, when payment of CGT from the sale of such a residential property will be required within 30 days of the date of sale/completion. ■

MAKE SURE YOU DON'T MISS THE DEADLINE TO CLAIM IMPORTANT ALLOWANCES AND RELIEFS

With less than two months remaining in the current 2019/20 tax year, UK-resident individuals should turn their attention to any pre-emptive steps which may be taken by 5 April 2020 in order to optimise their tax position. Personal tax planning can be complex. You should always seek professional advice when undertaking a review to ensure all changes are processed and managed effectively. To discuss your position, please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE, AND THEIR VALUE DEPENDS ON YOUR INDIVIDUAL CIRCUMSTANCES.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE. YOU MAY NOT GET BACK WHAT YOU INVEST.

TIME TO GIVE YOUR PENSION POT A BOOST?

PLANNING AHEAD FOR THE FINANCIAL FUTURE YOU WANT

Planning for retirement can be both exciting and daunting. It's essential to structure your affairs to make sure you have enough money when you eventually retire. To give your pension pot a boost, one option to consider if your pension savings are more than your annual allowance is to take advantage of the 'carry forward' rules for unused annual allowances from previous years and still receive tax relief.

> TO TAKE ADVANTAGE OF CARRY FORWARD RULES, YOU MUST MAKE THE MAXIMUM ALLOWABLE CONTRIBUTION IN THE CURRENT TAX YEAR (£40,000 IN 2019/20). YOU CAN THEN CARRY FORWARD ANY UNUSED ANNUAL ALLOWANCES FROM THE THREE PREVIOUS TAX YEARS.

The carry forward rules were introduced from 6 April 2011 and allow your unused annual allowance to be carried forward from the three previous tax years. Where this can be very beneficial is for an individual who has received a large salary increase, whose profits have been good in a self-employed business, who has been made redundant or who is nearing retirement.

VERY USEFUL FOR HIGH EARNERS

Utilising carry forward can also be very useful for high earners who are affected by the tapered annual allowance, which was introduced in April 2016. The way the tapered annual allowance works is that anyone with an adjusted income of more than £150,000 per year has their annual allowance reduced by £1 for every £2 they earn over £150,000, up to a maximum reduction of £30,000.

To be able to carry forward unused annual allowance from a previous tax year, you must have been a member of a registered pension scheme at some point in that tax year (a 'member' includes active, deferred and pensioner members). This can apply even if no contributions were made during that year or if there was a nil pension input amount.

MAXIMUM ALLOWABLE CONTRIBUTION

To take advantage of carry forward rules, you must make the maximum allowable contribution in the current tax year (£40,000 in 2019/20). You can then carry forward any unused annual allowances from the three previous tax years.

The amount of annual allowance that you can carry forward will depend on how much of your annual allowance you used in the previous three tax years. When assessing how much of your annual allowance you used in previous tax years, you need to include the total value of the contributions you made to your pension, any contributions made by your employer, and the tax relief you received from HMRC.

Tax year	Annual allowance
2016/17	£40,000
2017/18	£40,000
2018/19	£40,000
2019/20	£40,000

AUTOMATICALLY CARRY FORWARD ANY UNUSED ANNUAL ALLOWANCE

Carry forward cannot be used for any year that an individual was not a member of a registered pension scheme. It's also worth noting that any contribution made using carry forward does not need to be made to the same registered pension scheme that an individual was a member of in the previous year.

It's possible to carry forward any unused annual allowance automatically. There's no requirement to make a claim to HMRC to carry forward any unused allowance, and there's no need for the details to be included on a self-assessment tax return if there's no annual allowance charge due.

From 6 April 2015, the Money Purchase Annual Allowance (MPAA) was introduced. This reduced the annual allowance in certain circumstances. An individual cannot utilise carry forward if they have triggered the MPAA (unless they have ongoing accrual in a defined benefit scheme). ■

ARE YOU ON TRACK FOR YOUR RETIREMENT?

For individuals who are high earners and likely to be most impacted by the annual allowance, the opportunity to sweep up earnings from the three previous tax years may be a welcome retirement funding opportunity. Let us help you build a tax-efficient income for a great retirement. To find out more, please contact us.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

PORTFOLIO DIVERSIFICATION

DON'T PUT ALL YOUR EGGS IN ONE BASKET

Portfolio diversification is the foundational concept of investing. It's a risk management strategy of combining a variety of assets to reduce the overall risk of an investment portfolio.

Traditional wisdom says: don't put all your eggs in one basket. By ensuring your portfolio is well diversified across different asset classes, geographies, styles and size, you spread your risk exposure. If something goes wrong with one security, it only accounts for a small proportion of your investments and therefore won't be too detrimental to your overall wealth.

LOWERING VOLATILITY

The ultimate aim of portfolio diversification is to lower the volatility of a portfolio because not all asset categories, industries or stocks move together. By holding a variety of non-correlated assets, you can reduce specific investment risk.

Diversification is also important because investing in markets can be volatile and unpredictable. In practical terms, diversification is holding investments which will react differently to the same market or economic event. It's also your best defence against a single investment failing or one asset class performing poorly.

SMOOTHING OUT RETURNS

When the economy is growing, stocks tend to outperform bonds. But when things slow down, bonds often perform better than stocks. By holding both stocks and bonds within your portfolio, you reduce the chances of your portfolio being subjected to corrections when markets swing one way or the other.

Diversification also safeguards you against adverse market cycles and reduces volatility. In other words, by owning a large number of investments in different industries and companies, industry and company-specific risk is minimised. This decreases the volatility of the portfolio because different assets should be rising and falling at different times, smoothing out the returns of the portfolio as a whole.

DIFFERENT ASSET CLASSES

To diversify well, you need to invest across different asset classes and within different options in an asset class. If most of your money is in one or two asset classes, it may be prudent to consider other asset classes. Then, within each asset class, make sure your money is invested across the different options available. The three simple ways to diversify your portfolio broadly are by investing across asset classes, within an asset class and internationally.

Setting the right asset allocation for your financial goals and personal specifications depends on a number of factors. These include your investment time horizon and what you are going to use the money for. If you want to grow the money, you will need to take on some risk; if you are looking to preserve it, you will need to limit risk.

TIME HORIZON AND GOALS

Diversification is also important regardless of your time horizon and goals. Any time you're investing in the stock market, you should aim for a diversified portfolio. As your goals or time frames change, the levers to shift should be determined by how aggressively that diversified portfolio is built. Investments allocated to a long-term goal can lean more heavily on stocks, for instance, than those geared towards near-term goals.

An easy way to determine if your portfolio is diversified is by looking at your current performance. Diversified investments won't move in the same direction at the same time. If some of your investments are up while others are down, you've got diversification. ■

MARKET VOLATILITY REQUIRES GREATER DIVERSIFICATION AND INVESTMENT EXPERTISE

Investment objectives can rarely be met by investing in a single asset class. A portfolio that actively invests across multiple asset classes has more sources of potential return and can better adapt to changing market conditions. One of the keys to successful investing is learning how to balance your comfort level with risk against your time horizon. To discuss your investment requirements, please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE TAX BENEFITS RELATING TO INVESTMENTS MAY NOT BE MAINTAINED.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PRESERVING YOUR LEGACY

HOW TO KEEP YOUR WEALTH IN THE FAMILY

Are you worried about leaving an inheritance to your loved ones and then having them pay tax on your legacy? No one likes to think about a time when they won't be here, but unfortunately the reality is that some people aren't prepared financially.

Estates that pass on to a spouse, registered civil partner or charities are exempt from Inheritance Tax (IHT), even if the value of such estates is higher than the threshold limits. Estates that pass on to anyone else, including siblings, children and grandchildren, attract IHT.

DECIDING ON THE BEST WAY TO LEAVE YOUR ESTATE

If your estate is likely to suffer IHT, there are accessible solutions and strategies we can discuss with you to mitigate this tax. You may find the idea of discussing inheritance uncomfortable, but proper IHT planning could save your family hundreds of thousands of pounds. This is about deciding on the best way to leave your estate to those you love after you die, and to help ensure your loved ones are provided for.

When you die, the Government charges tax on your estate – and it could be a pretty significant amount. IHT is payable at 40% on assets within your estate that exceed the nil-rate band threshold (currently at £325,000) and is payable on assets that are passed on when you die. Nearly everyone has an estate, no matter how big or small it may be. This will include your property and business, cash and investments, cars, jewellery, art, and proceeds from life insurance policies not written in an appropriate trust.

TRANSFER TO A SURVIVING SPOUSE OR REGISTERED CIVIL PARTNER

An additional nil-rate band is available for individuals on their main residence if it is passed on to a direct descendant. Direct descendants include children (including stepchildren, adopted children or foster children) or grandchildren. This additional IHT-free residence nil-rate band is set at £150,000 in the 2019/20 tax year and will increase to £175,000 from 6 April 2020. As with the existing nil-rate band, any unused additional nil-rate band can be transferred to a surviving spouse or registered civil partner.

The residence nil-rate band is available on top of the existing IHT nil-rate band of £325,000, so that in 2020/21 an individual will potentially be able to leave £500,000 free of IHT. As is now the case with the standard nil-rate band, where the first of a married couple to die leaves their estate to their spouse, the residence nil-rate band can effectively be 'passed on' to the surviving spouse.

MORE TAX-EFFICIENT FOR IHT PURPOSES TO GIFT MONEY

While few of us enjoy talking about our eventual demise, not having a Will can result in assets passing to the wrong person or in a way that gives rise to a larger IHT bill. That's why it's equally important to keep any Will up to date. Tax rules and rates are always changing, and it is crucial to make the most of any new opportunities and to avoid any pitfalls. However, it can be more tax-efficient for IHT purposes to gift money while you are still alive.

TRANSFORMATIVE EFFECT ON BOTH YOUR AND YOUR FAMILY'S LIFE

Transferring wealth while you are alive can have a transformative effect on both your and your family's life. Gifting money to a younger relative to top up their pension and an Individual Savings Account can substantially boost their income when they eventually retire.

Each year, you can give away £3,000, and that gift will not be subject to IHT. You can also give £250 to any number of people each year. Parents can give £5,000 to each of their children as a wedding gift. Grandparents can give £2,500, and anyone else £1,000.

FURTHER TAX-FREE GIFTS

Gifts of any size to charities or political parties are also IHT-free. If a gift is regular, comes out of your income and does not affect your standard of living, any amount of money can be given away and ignored for IHT.

It is also possible to make further tax-free gifts ('potentially exempt transfers'), but you have to survive for seven years after making the gift to get the full benefit of it being outside your estate for IHT purposes.

TAKING A SIGNIFICANT AMOUNT OF WEALTH OUT OF YOUR ESTATE

If you pass away within seven years and the gifts are valued at more than the nil-rate band, taper relief will be applied. The tax reduces on a sliding scale if the gift was made between three and seven years earlier.

Many people think that IHT only concerns the very wealthy, but property prices are such that the value of your property alone can easily exceed the tax threshold. Don't forget, IHT can take a significant amount of wealth out of your estate, making a big difference to the amount your heirs receive when you are gone. ■

HOW CAN I BE SURE MY WEALTH WILL REACH THE RIGHT PEOPLE?

First and foremost, IHT planning will help ensure your family is provided for and your loved ones are taken care of. It also means you can choose where your estate goes so there will be no confusion about your wishes. Professional IHT planning can also help minimise the amount of tax paid, so you can leave more to your loved ones. To discuss your concerns, please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE RULES AROUND INHERITANCE TAX ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

THE VALUE OF INVESTMENTS AND THE INCOME THEY PRODUCE CAN FALL AS WELL AS RISE. YOU MAY GET BACK LESS THAN YOU INVESTED.

PLANNING FOR TOMORROW

WILL MY RETIREMENT INCOME BE ENOUGH TO LIVE ON COMFORTABLY?

The questions our clients almost always ask us are: 'Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?'

Worryingly, it's been well documented that many Britons aren't saving enough in their pension for their retirement. Figures published by HM Revenue & Customs (HMRC)[1] in September 2019 show that the annual average contributions that every individual makes decreased in 2017/18 compared to 2016/17.

SAVING ENOUGH MONEY FOR RETIREMENT

It's never too early to start planning for your future. When planning for retirement, the truth is that the earlier you start saving and investing, the better off you'll be, thanks to the power of your money compounding over time. It's like a snowball: the further up the mountain it rolls down from, the more snow it picks up, and the bigger the snowball is by the time it reaches the bottom. Put simply, this is what happens to your money.

However, given the difficulty of precisely timing market peaks and troughs, market downturns can have an impact on the value of your retirement pot which is directly dependent on the value of the investments your pension fund owns.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

There are steps that you can take to improve your pension prospects, no matter what your age.

We can help you determine which retirement income methods may be best for you based on your personal needs and goals. These are some basics you need to know.

STATE PENSION

The State Pension is a weekly payment from the Government that you can receive once you reach State Pension age. In order to qualify for the State Pension, you need to make National Insurance contributions. If you reached State Pension age before April 2016, you'll be receiving the basic State Pension, plus any additional State Pension you may have built up. Those who hit State Pension age after April 2016 will receive the new single-tier State Pension.

Both the basic and single-tier State Pension are protected by something called the 'triple-lock' guarantee. This means that they rise each year by the greater of annual CPI inflation (announced in September every year), average earnings growth, or 2.5%.

From April 2019, the State Pension increased by average earnings growth, which came in highest at 2.6%. If you're entitled to the full new single-tier State Pension, your weekly payments in the current tax year are £168.60 a week – for this, you'll need to have 35 years of NI contributions.

The State Pension is unlikely to provide a substantial income in retirement. That's where a private pension can make a big difference.

PENSION TAX RELIEF

The Government encourages you to save for your retirement by giving you tax relief on pension contributions. Tax relief has the effect of reducing your tax bill and/or increasing your pension fund. However, at the time of writing this article, the way pension tax relief works is reportedly under review by the Treasury.

You can receive tax relief on private pension contributions worth up to 100% of your annual earnings. Since the tax relief you receive on your pension contributions is paid at the highest rate of Income Tax you pay, the higher your rate of tax, the more you could receive.

The Welsh Government now has the power to set Income Tax rates and bands from 6 April 2019, but has opted to keep these the same as England and Northern Ireland for tax year 2019/20.

ENGLAND/WALES/NORTHERN IRELAND

- Basic-rate taxpayers receive 20% pension tax relief, for example, a contribution of £100 from your salary into your pension would cost you £80, with the Government contributing the other £20 – the amount it would have taxed from £100 of your salary
- Higher-rate taxpayers can claim 40% pension tax relief, for example, a contribution of £100 costs you £60, with the Government adding £40
- Additional-rate taxpayers can claim 45% pension tax relief, for example, a contribution of £100 costs you £55, with the Government adding £45

SCOTLAND

- Starter-rate taxpayers pay 19% Income Tax but get 20% pension tax relief
- Basic-rate taxpayers pay 20% Income Tax and get 20% pension tax relief
- Intermediate-rate taxpayers pay 21% Income Tax and can claim 21% pension tax relief
- Higher-rate taxpayers pay 41% Income Tax and can claim 41% pension tax relief
- Top-rate taxpayers pay 46% Income Tax and can claim 46% pension tax relief

ANNUAL ALLOWANCE

Anyone earning less than £40,000 would only be able to obtain tax relief on a grossed up pension contribution equal to their gross income. Nobody actually pays tax on their pension contributions as such.

Contributions are made by people net of basic-rate tax, and the product provider grosses it up by adding a further £20 to every £80 that the individual pays. If this process results in the individual receiving more tax relief than they are entitled to, HMRC will claw it back further down the line.

Your annual allowance applies to all of your pensions if you have more than one. This includes the total amount paid into a defined contribution scheme in a tax year by you or anyone else (for example, your employer) and any increase in a defined benefit scheme in a tax year.

If you use all of your annual allowance for the current tax year, you might be able to carry over any annual allowance you did not use from the previous three tax years.

Your annual allowance will be lower if you flexibly access your pension. By accessing the

> **If you're concerned about saving enough money for retirement, you're not alone. Even if you began saving late or have yet to begin, it's important to know that you are not alone, and we can discuss with you steps you can take to increase your retirement savings.**

taxable element of your pension, it triggers the 'money purchase annual allowance' (MPAA) rather than the tax-free cash pension commencement lump sum (PCLS). An individual could take their tax-fee cash from a pension arrangement and not trigger the MPAA.

For example, this could include taking cash or a short-term annuity from a flexi-access drawdown fund or taking cash from a pension pot ('uncrystallised funds pension lump sums').

The MPAA is £4,000 and is triggered by flexibly accessing benefits. If you have a high income, you'll have a reduced ('tapered') annual allowance if both your 'threshold income' is over £110,000, or your 'adjusted income' is over £150,000.

If you go over your annual allowance, either you or your pension provider must pay the tax. HMRC does not tax anyone for going over their annual allowance in a tax year if they retired and took all their pension pots because of serious ill health or have died.

HMRC[1] figures published in September 2019 show that during 2017/18, 26,550 taxpayers reported pension contributions exceeding their annual allowance through self-assessment. 2016/17 was the first year affected by the tapered annual allowance; the total value of contributions reported as exceeding the annual allowance was £812 million in 2017/18.

LIFETIME ALLOWANCE

You usually pay tax if your pension pots are worth more than the lifetime allowance. This is currently £1,055,000. You might be able to protect your pension pot from reductions to the lifetime allowance. If you're in more than one pension scheme, you must add up what you've used in all pension schemes you belong to.

A statement from your pension provider will tell you how much tax you owe if you go above your lifetime allowance, and your pension provider will deduct the tax before you start receiving your pension.

If you die before taking your pension, HMRC will bill the person who inherits your pension for the tax. The rate of tax you pay on pension savings above your lifetime allowance depends on how the money is paid to you – the rate is 55% if you receive it as a lump sum and 25% if you receive it in any other way (for example, through pension payments or cash withdrawals).

In April 2016, the lifetime allowance was reduced. You can apply to protect your lifetime allowance from this reduction. Tell your pension provider the type of protection and the protection reference number when you decide to take money from your pension pot. You can also inform HMRC in writing if you think you might have lost your protection.

You may also have a reduced lifetime allowance if you have the right to take your pension before the age of 50 under a pension scheme you joined before 2006.

In 2017/18, there were 4,550 counts of lifetime allowance excess charges paid. The total value of lifetime allowance charges paid by schemes in the tax year was £185 million – a 28.5% increase from £144 million in 2016/17 – according to HMRC[1] figures published in September 2019. ■

TOGETHER WE'LL DELIVER YOUR RETIREMENT GOALS

Pensions can be complex with so many considerations, including your family circumstances, pension rules and tax regulations. The good news is that whatever your situation, and however you want to enjoy retirement, we can help set up bespoke arrangements that are right for your needs. To discuss your situation, please contact us.

Source data:

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836637/Personal_Pensions_and_Pensions_Relief_Statistics.pdf

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

DIVORCEES RISK LOSING OUT ON PENSIONS

DIVIDING THIS ASSET IS OF VITAL IMPORTANCE TO AVOID PENSION POVERTY

Divorce is an emotional and stressful period for those who have to go through it. However, it's important that people realise that a pension is a valuable asset when considering how they split their money.

This is particularly problematic given the average age of divorcees, and it is more likely that a woman will not have any sizeable pension of her own. Previously married couples are at risk of ignoring one of the most valuable assets in divorce settlements, the latest figures from the Family Law Courts show.

DISSOLUTION OF MARRIAGE

The figures show there were 118,408 petitions filed for dissolution of marriage in 2018, but only 14% contained some sort of pension settlement order. This is despite a recent trend in people getting divorced later in life. According to the Office for National Statistics, the median age of divorce for men and women has increased by ten years between 1987 and 2017[1].

As people divorce later, they have less time to build a retirement income if they did not have a pension of their own, meaning dividing this asset is of vital importance to avoid pension poverty. This is a particular issue for women, as 45% of women aged 65 or over have no private pension wealth, separate figures from the ONS show.

When couples divorce, they have different options for how they divide assets between them, including pensions.

The primary methods used for pensions are:

- Offsetting, where the pension assets can be offset against other assets of the divorcing parties
- Pension sharing orders, where pension assets are divided at the time of divorce and there is a clean financial break
- Pension attachment orders, also known as 'pension earmarking', where the pension provider of one party pays an agreed amount direct to the former spouse when the pension rights come into payment. This does not represent a clean financial break between the couple and risks the loss of future income for the former spouse if the person with the pension rights dies before retiring or the former spouse remarries

PENSION ATTACHMENT ORDERS

Since 2015, the use of pension attachment orders has increased by 61%, while pension sharing orders have risen by 41%. However, while both types of pension order have increased in popularity, they still represent a relatively small percentage of total divorce cases.

In light of pension freedoms, people with existing pension attachment orders should consider reviewing their agreement and take financial and legal advice as the change in rules brought about by pension freedoms may mean that their attachment order will not provide what was intended. ■

A FAIR SETTLEMENT FOR ALL PARTIES INVOLVED

Divorcees need to make sure they are receiving professional legal and financial advice before, during and after any divorce case to ensure any settlement is fair for all parties involved. It should not be acceptable for pensions to be ignored, since whilst they might not have an immediate impact, they will do so later in someone's life. Please contact us for more information.

Source data:

[1] In 2017, the median age of divorce for women was 43.5 compared to 33.7 in 1987. For men in 1987, the median age stood at 36.4, whereas in 2017 it was 46.0.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

RETIREMENT OPTIONS

£19M RELEASED EACH DAY SINCE PENSION FREEDOMS LAUNCH

In his 2015 Spring Budget, then-chancellor George Osborne introduced sweeping changes to the way that pensions are taxed. The new pension freedom rules have led to the over-55s being faced with a variety of different choices when taking and investing their nest eggs.

Prior to April 2015, when most people with a defined contribution pension reached retirement age, the only option available was to buy an annuity, which involved using pension savings to purchase a guaranteed income for life.

PEOPLE RETIRING EACH YEAR

Roll on five years, it now means anyone aged 55 and over can take the entire amount of their defined contribution pension scheme as a lump sum, paying no tax on the first 25%, with the remaining taxed as if it were a salary at their Income Tax rate.

Before this, tax restrictions ensured that many of the people retiring each year were required to purchase an annuity – a product provided by insurers which turns a pension pot into a secure retirement income for life. The problem with some annuities is that they have become poor value, particularly for savers who bought the wrong kind.

PEAK PENSION FREEDOMS

Official figures[1] published show that £32.97 billion of taxable payments have been taken from pensions since freedom and choice were introduced. This equates to an average of £18.75 million being flexibly withdrawn every day over the past 1,760 days since pension freedoms were introduced.

In the coming decade, a record nine million people are set to enter the arena of the pension freedoms at age 55[2]. This is more than is expected to be seen in any decade that follows, with the 2020s likely to see peak pension freedoms.

INCREASED RESPONSIBILITY

With the popularity of pension freedoms continuing to grow and savers being entrusted with increased individual responsibility, it is worrying that 94% of adults are flying solo, not seeking any financial advice each year.[3]

The Money and Pensions Service (MaPS) has launched its strategy with a vision of 'everyone making the most of their money and pensions'[4].

TAKE YOUR TIME AND SEEK ADVICE

If you are considering your pension freedom options, the future has 'got a lot more interesting'. Remember: take your time and seek professional financial advice. The pension freedoms are available from age 55, but there is no need to act at age 55. And your time in retirement may be longer than ever before.

PENSION FREEDOM OPTIONS

There are a number of different options when you are deciding how to take your defined contribution pension pot.

Leave your whole pot untouched
You don't have to start taking money from your pension pot when you reach your 'selected retirement age'. You can leave your money invested in your pot until you need it.

Guaranteed income (annuity)
You use your pot to purchase an insurance policy that guarantees you an income for the rest of your life – no matter how long you live.

Adjustable income
Your pot is invested to give you a regular income. You decide how much to take out and when, and how long you want it to last.

Take cash lump sums
You can take smaller sums of money from your pot until you run out. Your 25% tax-free amount isn't paid in one lump sum – you get it over time.

Take your entire pot in one go
You can cash in your entire pot – 25% is tax-free, the rest is taxable.

Combine your options
You can also combine different options. However, to do this, you would usually need a bigger pot.

BE AWARE OF THE SCAMMERS

Make sure you don't fall victim to scammers. Your pension is likely to represent the biggest single source of your private wealth, so the attraction for scammers is obvious. Since January 2019, it has been illegal to make these cold calls. See the Financial Conduct Authority's ScamSmart website for more advice.

DON'T OVERLOOK THE TAX

Think about the matter of tax. How will this impact on your particular situation? The way in which you access your pension savings can have significant implications on how much tax you may need to pay and on the income in your retirement.

PROFESSIONAL FINANCIAL ADVICE

Finally, don't forget the importance of obtaining professional financial advice. You may have been saving for 30 years, so take more than 30 minutes when considering your options. Let us provide you with the professional advice to ensure that you end up with the best options for your particular situation. ■

A LONG LIFE NEEDS A SMART PLAN

The way you take your money for retirement will have a big impact on how long it will last – and how much tax you pay. To discuss your options or to find out more, contact us to arrange a meeting.

Source data:

[1] www.gov.uk/government/statistics/flexible-payments-from-pensions
[2] www.ons.gov.uk peoplepopulationandcommunity/ populationandmigration/ populationestimates/ bulletins/annualmidyearpopulationestimates/mid2018
[3] www.fca.org.uk/publication/research/ financial-lives-consumers-across-uk.pdf
[4] moneyandpensionsservice.org.uk/uk-strategy-for-financial-wellbeing/

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

RETIREMENT SAVINGS LONGEVITY

ARE YOU FACING A PENSIONS CHALLENGE?

We all want to ensure we have sufficient funds when we retire so we can spend our time the way that we want to. But how realistic are your current retirement plans?

Our average life expectancy will soon exceed 90 years for the first time ever, according to an international study[1] that suggests people will be living far longer in 2030, with the gap between men and women starting to close. This then raises the very important question: who will live longer, you or your pension?

These improvements in life expectancy reflect the advances in medicine and public health, as well as rising standards of living, better education, improved nutrition and changes in lifestyle. This will mean that as time goes by, you will need to reconsider your financial plans to keep everything on track.

HAVING ENOUGH TO SEE YOU THROUGH YOUR LATER YEARS

There is no commonly accepted definition of when old age begins. For some, the cut-off for when old age starts is 65 years, but this is somewhat arbitrary and is often simply associated with the age one can begin to receive a pension and other benefits. But how will living longer affect your retirement plans? Will you have enough to see you through your later years?

This is particularly concerning in this day and age, because increased longevity means higher retirement savings will be necessary to avoid running out of money. Much will be dependent on how much monthly income you draw from your pension pot and if you take any lump sum payments.

MAINTAINING YOUR STANDARD OF LIVING IN RETIREMENT

Retirement could last for 30 years or more depending on when you retire and how long you live. Your income in retirement is likely to come from several sources including your State Pension, any other pensions you've built up while working, and any savings and investments you have.

Prices tend to rise over time, so if you want to maintain your standard of living, you'll need your retirement income to keep pace with inflation. The State Pension increases by at least the rate of inflation each year, and if you receive a retirement income from a past employer, this often rises by the rate of inflation or a set amount each year.

ENOUGH MONEY TO LIVE ON FOR THE WHOLE OF YOUR RETIREMENT

If you'll need to rely on your savings and investments to boost your income, you'll probably also need to increase the amount you take from these over the years if you want your income to go as far as it used to. But if you take more income than your savings and investments earn each year, you will gradually reduce your capital.

The longer this goes on, the less savings you'll have and the greater the risk of these running out. So before you give up work, you need to make sure these will provide you with enough money to live on for the whole of your retirement. ■

Source data:

[1] www.thelancet.com/journals/lancet/article/PIIS0140-6736%2816%2932381-9/fulltext

PLAN YOUR FINANCIAL FUTURE

The way you accumulate your retirement money and how you use it during your retirement will have a big impact on how long it will last – and also the amount of tax you pay. Contact us today to discuss your retirement options and to understand which income solutions could help you. We look forward to hearing from you.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

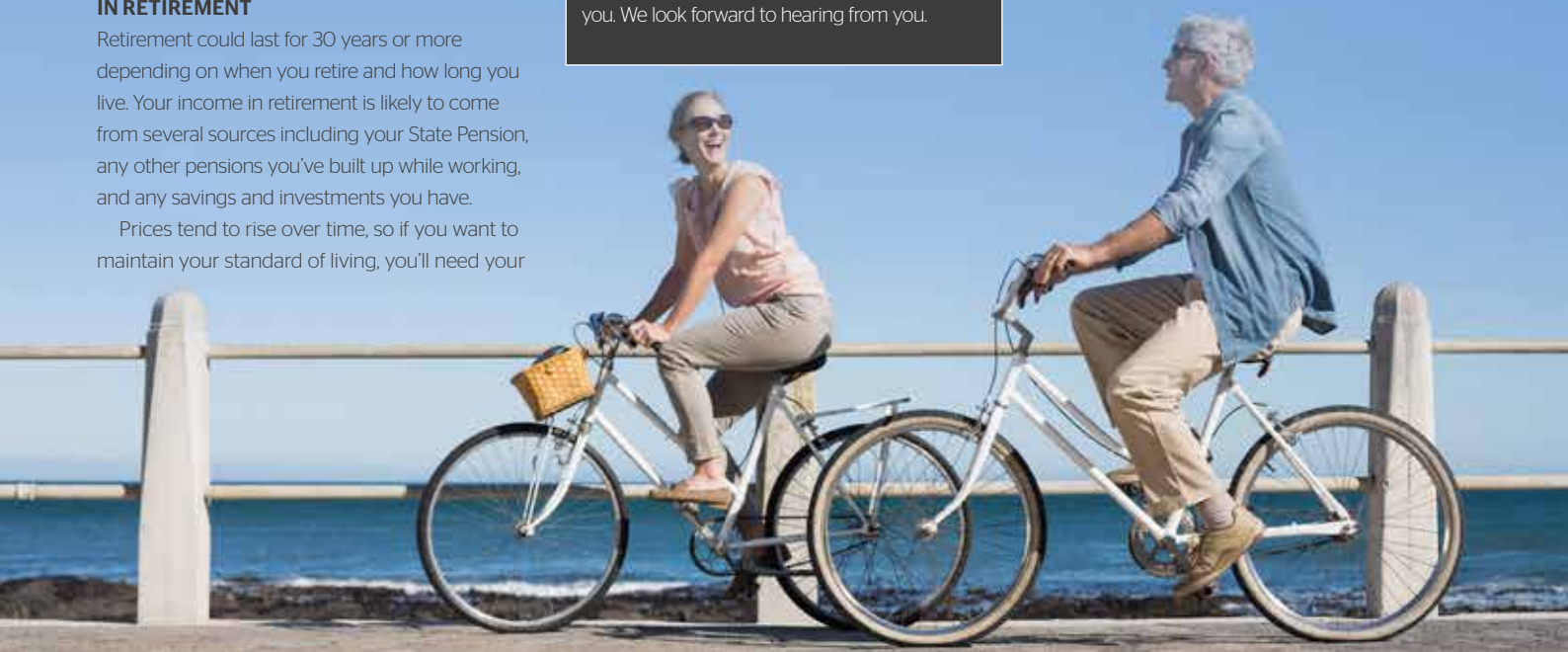
INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.



FUTURE RETIREMENT SECURITY

MORE YOUNGER WOMEN OPTING OUT OF PENSIONS

Young women are putting their future retirement security at risk by opting out of their workplace pension[1]. The analysis shows a worrying spike in opt-outs, with 10.5% of women aged 22–29 opting out of their workplace pension. This compares to 8.1% of men in the same age group.

SIGNIFICANT CHALLENGES IN SAVING FOR RETIREMENT

Women in their 20s and 30s face significant challenges in saving for retirement. Many leave the workforce to look after children and often only return to work on a part-time basis. Added to this is managing the high cost of childcare, which means many women don't feel they can afford to save for retirement.

While the difference between male and female optouts is stark in the 20–29 age group, it evens out from the age of 30. After the age of 60, the picture changes again with significantly more men than women opting out[2].

LEADING TO GREATER FINANCIAL PROBLEMS IN THE FUTURE

The data highlights a spike in women opting out of pension saving in their 20s and 30s, most likely as they face other commitments like childcare or saving for a house. While this may seem like a good idea for them in the short term to fund other priorities, opting out of a pension will only lead to greater financial problems in the future.

Getting back into the habit of saving for later life may be difficult for some women if they have missed significant contributions.

BUILDING A RETIREMENT PLAN THAT YOU FEEL AT EASE WITH

We can advise on your retirement planning, whether you are in the process of building your pension pot or getting back into work. There are often a number of choices available, and we can discuss each option. The goal is to build a retirement plan that you feel at ease with and that will give you a comfortable retirement. Contact us to find out more. ■

Source data:

[1] In September 2019, Royal London highlighted the over-60s are throwing away up to £1.75 billion in retirement by opting out of pension saving: www.royallondon.com/media/press-releases/2019/september/over-60s-throwing-away-up-to-1.75bn-in-retirement-savings-by-opting-out-of-pensions/

[2] Table of Auto-Enrolment opt out rates by gender.

A LONG LIFE NEEDS A SMART PLAN

The way you take your money for retirement will have a big impact on how long it will last – and how much tax you pay. To discuss your options or to find out more, contact us to arrange a meeting.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

HAVE YOU PLANNED FOR THE UNEXPECTED?

ONE IN EIGHT HOMEBUYERS DON'T DISCUSS THEIR PROTECTION NEEDS

Buying a property is usually the biggest financial obligation many of us will take on in our lifetime, and it's an obvious moment to pause and consider our protection needs.

The most common types of mortgage protection usually consists of mortgage life insurance with critical illness cover and mortgage payment protection insurance (MPPI). Nobody wants to run into financial difficulty, but homeowners should have provision to continue paying their mortgage if something happens to their main source of income.

OLDER HOMEBUYERS THE MOST EXPOSED

Relying on savings isn't viable for many and certainly isn't good for financial resilience. However, one in eight (13%) homebuyers who purchased their mortgage via a mortgage broker did not discuss their protection needs, according to new research[1], with older homebuyers the most exposed, with the potential for the higher risk of health issues impacting their income.

The majority (76%) of homeowners discussed protection products during their initial session, with life insurance being the most commonly purchased product (57%), followed by critical illness (36%) and income protection (31%).

MORE LIKELY TO SUFFER FROM HEALTH CONCERNS

However, more than one in ten (13%) did not discuss protection at all, rising to a fifth (20%) of those aged 55 and above – despite this age group being more likely to suffer from health concerns. More than one in four homebuyers who did discuss protection did not go on to make a purchase (28%), leaving them unprotected as a result.

Of these, 25% rejected the opportunity to take out cover because they felt they couldn't afford the premiums, as the overall cost of buying a home was already expensive. A slightly smaller proportion (19%) felt they could not afford the cost as the mortgage itself was costly.

DIDN'T SEE THE VALUE IN PROTECTION PRODUCTS

Nearly a quarter (23%) didn't see the value in protection products, while 18% thought they would never need them. One in seven (14%) intended to purchase protection through a different route but never got around to it.

Alarmingly, two in five homeowners (42%) could only cover essential bills for up to two months if their household lost its primary income, and a further 30% could only extend to six months. Adequate financial protection is therefore vital to ensure households can keep up their mortgage payments and retain possession of their home should they unexpectedly lose their income. ■

ARE YOU PREPARED FOR LIFE'S UNEXPECTED EVENTS?

We can help you protect against financial hardship when life becomes unpredictable. Having the right protection in place will provide you with that important financial breathing space when you need it most. To review your current protection requirements or to find out more, please speak to us.

Source data:

[1] Canada Life 10 December 2019

INFLATION MATTERS

ONE OF THE BIGGEST THREATS TO THE HEALTH OF YOUR INVESTMENT PORTFOLIO

If you're investing – especially for major goals years away, such as retirement – you can't afford to ignore the corrosive effect rising prices can have on the value of your assets.

Is inflation finally returning to Western economies, aided by the 'Trumpflation effect'? It's been described as a 'hidden tax' because of the consistent destruction of value that it brings about.

TAKING A BITE OUT OF YOUR INVESTMENT RETURNS

Most people understand that inflation increases the price of their groceries or decreases the value of the pound in their wallet or purse. In reality, though, inflation affects all areas of the economy – and over time, it can take a bite out of your investment returns.

The reality is that inflation poses a stealth threat to all investors, which is why it's important to consider ways to mitigate inflation in your investment portfolio. When you consider the return on an investment, it's not just the interest rate you'll receive but also the real rate of return, which is determined by taking into account the effects of inflation.

PLAN TO ACHIEVE LONG-TERM FINANCIAL GOALS

Clearly, if you plan to achieve long-term financial goals, such as university savings for your children or your own retirement, you'll need to create a portfolio of investments that will provide sufficient returns after factoring in the rate of inflation.

Protecting your portfolio against the potential threat of rising inflation might begin with a review of the investments most likely to provide returns that outpace inflation.

NAVIGATING THE THREAT THAT INFLATION POSES

Over the long run – 10, 20, 30 years, or more – equities may provide the best potential for returns that exceed inflation. While past performance is no guarantee of future results, they have historically provided higher returns than other asset classes.

If you consistently receive below-inflation interest rates, this will slowly, but surely, erode what your savings are really worth. Investing some or more of your savings could help you navigate the threat that inflation poses to your long-term financial health.

PUTTING A STRONG INVESTMENT STRATEGY IN PLACE

Not only does the value of many investment assets often rise with inflation, offering some protection from rising prices, but successful investments should deliver higher returns than cash savings alone can muster.

Inflation is a market force that is impossible to completely avoid. However, by planning for it and putting a strong investment strategy in place, you might be able to help minimise the impact of inflation on your savings and long-term financial plans. ■

ARE YOU KEEP INFLATION IN YOUR SIGHTS?

It's important not to underestimate the damaging effect inflation can have on your future wealth. Whatever your investor profile – from first-time investor to experienced retiree – you need to keep inflation in your sights. To find out more or to discuss your portfolio, please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE TAX BENEFITS RELATING TO INVESTMENTS MAY NOT BE MAINTAINED.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

UNLOCKING PROPERTY WEALTH

ARE YOU 'PROPERTY RICH' BUT WANT OR NEED MORE THAN YOU HAVE SAVED?

An increasing number of people aged over 65 are using equity release products to pay off debts and mortgages. Many people in the UK might be 'property rich' but want or need more than they have saved to enjoy the lifestyle they want. And with more people living longer, there are, on average, more years to fund.

MANAGING FINANCES IN LATER LIFE

Equity release allows UK homeowners over the age of 55 to unlock part of the financial value in their home for various reasons, usually to help manage their finances in later life. This can provide money to spend while they are still fit and healthy, or to help fund a particular purchase like a holiday home, or to give a living inheritance for loved ones.

There has been an increase in the number of equity release products available, as well as improved interest rates. Recent data[1] shows that 27% of people in 2019 used equity release to clear their mortgage, loans or debts compared to 15% in 2016. Helping family and friends has risen from 8% to 16% during the same period, while home improvements fell from 32% to 24%. The figures also show that a larger proportion of women (55%) take out equity release plans than men (45%).

MEETING CHANGING REQUIREMENTS

Over the past four years, the equity release market has grown significantly as more versatile products have been introduced to meet changing requirements. With pension income often being less than hoped for and high levels of consumer debt, an increasing proportion of people are using the equity in their homes to pay off loans and outstanding mortgages.

For homeowners with interest-only mortgages having no means of repaying them, equity release could be one option. as people have the added security of still living in their home until they die or go into long-term care.

PROVING POPULAR WITH WOMEN

Helping grandchildren with deposits for their first home or the costs of higher education are just some of the reasons why an increasing number of people use equity release to help friends and families.

The data also highlights that equity release is proving popular with women for a variety of reasons. More women are retiring with relatively small pensions due to the fact that they generally live longer than men, earning lower wages and rising divorce rates for the over-60s.

RETAINING FULL HOME OWNERSHIP

When you unlock wealth from your property, the equity released is tax-free regardless of whether you take it as a lump sum or as smaller amounts over time. However, if you put it into a savings account or investments, you may have to pay tax on any growth.

Equity release may involve a lifetime mortgage or home reversion plan. To understand the features and risks, you should ask for a personalised illustration. With a lifetime mortgage, unlike other forms of equity release, you can release tax-free cash from your home whilst retaining full ownership of your home and without having to commit to making monthly repayments. ■

Source data:
[1] Customer data from LV=. Figures correct as of November 2019.

HOW MUCH MONEY YOU COULD RELEASE FROM YOUR HOME?

Equity release enables over-55s in the UK to extract tax-free cash from their homes. You can usually borrow between 19% and 50% of the value of their home, depending on your age and health, and will not have to pay tax on the capital you release. To find out more, please contact us.

EQUITY RELEASE MAY INVOLVE A LIFETIME MORTGAGE WHICH IS SECURED AGAINST YOUR PROPERTY OR A HOME REVERSION PLAN.

TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR YOUR PERSONALISED ILLUSTRATION.

EQUITY RELEASE REQUIRES PAYING OFF ANY EXISTING MORTGAGE.

ANY MONEY RELEASED, PLUS ACCRUED INTEREST WOULD BE REPAID UPON DEATH, OR MOVING INTO LONG-TERM CARE.

HOW PEOPLE USE EQUITY RELEASE

Year	To clear mortgage, loans or debt	Home & Garden improvements	Treats/to help family and friends	To top up current income
2016	15%	32%	8%	25%
2017	19%	31%	11%	20%
2018	29%	26%	14%	15%
2019	27%	24%	16%	13%

LIFESTYLE PROTECTION

ONE IN FIVE SELF-EMPLOYED AND CONTRACT WORKERS UNABLE TO SURVIVE A WEEK WITHOUT WORK

The world of work has changed enormously over the past 20 years. Being self-employed, freelance or working on a contract basis has become the norm for all sorts of professions.

Although it has many benefits, working for yourself means that the responsibility for providing a financial safety net shifts from the employer to the individual. New research has highlighted the precarious nature of self-employed people's finances.

FINANCIAL SUPPORT

A survey[1] of the financial health of self-employed, part-time and contract workers reveals that if an accident or illness prevented them from working, more than one in ten (11%) wouldn't be able to last any time without using long-term savings, while 30% would run out of money in less than a month. And 48% said they couldn't turn to friends or family for financial support, while one in ten said they would be forced to turn to credit cards or payday loans.

Figures from the Office for National Statistics (ONS) show that the number of self-employed workers in the UK increased from 3.3 million in 2001 to nearly 5 million in 2019[2]. While a quarter (25%) of those surveyed said they would seek help from the state, benefits provide little or no support for this group.

INCOME PROTECTION

Some self-employed people wrongly believe they would not be eligible for income protection if they fell ill and couldn't work. However, Statutory Sick Pay isn't available to self-employed workers, and for those workers that are eligible, the maximum that can be claimed is just £94.25 a week versus the average outgoing of £262.83[3] a week for self-employed or contract workers.

More than half (55%) have no life insurance, private medical insurance, critical illness cover or income protection should they find themselves unable to work due to illness or injury.

MORE TIME OFF WORK

Nearly half of those surveyed (45%) worry that sickness will prevent them working. They also worry about consistency of earnings (37%), and over a third (35%) of those workers who took time off for illness or injury last year returned to work before they felt they had fully recovered. Half (50%) of these said they did so because they couldn't afford to take any more time off work.

People in full-time employment commonly receive sick pay and life insurance through their employer, but self-employed people need to provide it for themselves. Although many self-employed people and contractors worry about the consequences of an accident or illness preventing them from working, too few are taking steps to protect themselves from any loss of earnings if they are unable to work. ■

Source data:

[1] Research among 1,033 UK self-employed, part-time, contract and gig economy workers between 1 October and 7 October 2019, conducted by Opinium on behalf of LV=.

[2] EMP14: Employees and self-employed by industry.

[3] Average monthly outgoings of £1,182.76 recorded from 1,033 UK self-employed, part-time, contract and gig economy workers between 1 October and 7 October 2019, conducted by Opinium on behalf of LV=.

DO YOU HAVE A FINANCIAL SAFETY NET IN PLACE?

Many self-employed people consider income protection insurance and critical illness cover in case they get too sick or injured to work, or suffer from a serious illness. Life insurance is also common for people who have dependents, such as a partner or children. If you have any concerns or want to review your protection requirements, please contact us.

DISCOVER A CLEARER FINANCIAL FUTURE

PROFESSIONAL FINANCIAL ADVICE TAILORED TO YOU

It's often a common fallacy that only those that are wealthy have any need for professional financial advice. Regardless of how careful you are with your money, dealing with the tricky intricacies of taxation, investments and financial regulations can be difficult for even the most money-conscious of earners.

However, when it comes to financial planning for your future, it's important that you receive expert professional advice about all the options and income sources available to you. As your life progresses, there will be certain points where you'll be thinking about making changes that relate to your finances, for example, getting a new job or as you approach retirement. Your unique circumstances will play a significant part in achieving your goals and financial planning requirements.

HELPING YOU DEFINE AND QUANTIFY YOUR GOALS

Your financial goals should be something that have a time frame and that can be quantified. An aspiration such as achieving a comfortable retirement is difficult to plan for, but putting in place a well-defined financial planning strategy will help you define and quantify your goals.

Cash flow modelling can help you visualise your current financial position and demonstrate how your future financial goals and objectives can be achieved. Life events, investment performance and taxation all need to be taken into consideration to give a reviewable and detailed plan.

TAX PLANNING, PRUDENT SPENDING AND CAREFUL BUDGETING

The aim is to increase your cash flows by carefully monitoring your spending patterns and expenses. And with tax planning, prudent spending and careful budgeting, we can help you keep more of your hard-earned cash. An increase in cash flow will lead to an increase in capital and the option to consider further investments to improve your overall financial well-being.

Tax considerations are also important when considering financial planning. The assessment rates for Income Tax and Capital Gains Tax will be important factors in determining how much you should save to meet your future goals. We can advise you about how to utilise your tax allowances and reliefs as an effective way of reducing your tax liability and making further savings over your lifetime.

A VALUABLE SAFETY NET TO PROTECT YOU AND YOUR FAMILY

Protection insurance will also provide a valuable safety net for you or your family should you become ill or die. However, in some cases, you might find you are already covered in some way either as part of your work benefits or through the state. Do you have enough life insurance, and do you have the right kind of policy for your situation? Do you have disability and long-term care insurance? Do you need this protection? Your financial plan should address all of these issues.

A proper financial plan also considers your personal circumstances, objectives and risk tolerance. It acts as a guide in helping choose the right types of investments to fit your needs, personality and goals. Annual reviews of your financial plan will help during this transition phase, so you know the different options you have for withdrawing a retirement income and what the results will be in terms of yield and future income.

MITIGATE THE RISK OF RUNNING OUT OF MONEY IN THE FUTURE

When you retire, structuring your investments during this period will provide the flexibility to help when you decide you may want to spend more or less some years, for example, when planning to buy a car or go on luxury holiday. By creating a financial plan based on these needs, we can help you work out how much you will need to mitigate the risk of running out of money – and to enjoy the later years of life.

So a better financial understanding can be achieved when measurable financial goals are set, the effects of decisions understood, and results reviewed. Giving you a whole new approach to your budget and improving control over your financial lifestyle.

DON'T LET FINANCIAL CHANGES OR EMERGENCIES THROW YOU OFF TRACK

Whether you want to fund your children's university education, save for retirement or buy a new house, most financial goals require periodic savings. The financial planning process will help you identify how much you will need to save periodically – and in total for each of your goals. Also, sudden financial changes or emergencies could still throw you off track. It is good to have savings you can access quickly.

It goes without saying that your financial plans should not be static objects. There is little point in making a plan and never returning to it. You should expect to make iterations as life changes. It's important to have a yearly review at the very least to check you are on track to meeting your goals. ■

WHAT KIND OF HELP DO YOU NEED RIGHT NOW?

Everyone has goals in life. Professional financial advice and guidance can help you get there. If you or a family member would like to request a review, please contact us for more information about how we can help.

MILLENNIAL MONEY

SOCIAL AND ENVIRONMENTAL GOOD AS WELL AS FINANCIAL RETURNS

Building wealth for the future is important, but increasingly people want their investments to do more than make money. Investing ethically means different things to different people.

According to a new global survey[1], almost eight out of 10 millennials now prioritise socially responsible and impactful investing. Environmental, social and governance issues are now their top priority. They understand that it is perfectly possible – and increasingly necessary – to make a profit while positively and proactively protecting people and the planet.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Some 77% of millennials – people who were born in the time period ranging from the early 1980s to the mid-1990s and early 2000s – cite Environmental, Social and Governance (ESG) investing as their top priority when considering investment opportunities.

To understand the matters that millennials deem deserving of their investment, let's consider what the ESG acronym stands for. The 'E' is for 'environment' and includes issues such as climate change policies, carbon footprint and use of renewable energies. 'S' is for 'social' and includes workers' rights and protections. 'G' is for 'governance' and includes executive compensations, diversity of the board and corporate transparency.

PROGRESSIVE AND FORWARD-LOOKING INVESTMENT DECISIONS

This survey underscores that whilst traditional factors – such as anticipated returns (10%), past performance (7%), risk tolerance (4%) and tactical allocation (2%) – are important factors in millennial respondents' investment decision-making, they are no longer enough.

The findings highlight that ESG considerations now sit at the heart of that process. It's millennials today that appear to be leading the charge in socially responsible and impactful investing. They are keen to look for investment solutions that are progressive and forward-looking.

INVESTING IN SUSTAINABLE, IMPACTFUL BUSINESS MODELS

A study by Morgan Stanley[2], which evaluated more than 10,000 funds and managed accounts, shows that investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments. This is on both an absolute and a risk-adjusted basis, across asset classes and over time.

Additionally, according to the study, when compared with non-millennial investors, millennials are incorporating sustainability not only into investment decisions but overall consumer behaviour, with millennials achieving greater integration of their money and values by seeking personal fulfilment in their careers, applying a global consciousness to purchases, and investing in sustainable, impactful business models.

RESPONSIBLE INVESTING INCREASINGLY BECOMING MAINSTREAM

As responsible investing becomes increasingly mainstream, and millennials become the major beneficiaries of the transfer of wealth, we can also expect institutional investors (such as pension funds, amongst others) to broaden their exposure to ESG over the next few years, with wealth and asset managers seeing a significant influx of investor funds flowing into sustainable investments.

Much has been made of the demographic changes underfoot in each generation, but none more so than that of millennials, who are far from being old enough to retire but have reached working age. They not only have a major influence on consumer trends, particularly in the digital arena, but also disposable incomes that will grow with age and look set to have their own demands and characteristics in terms of financial services. ■

Source data:

[1] Global poll of 1,125 people was carried out by deVere Group 2 January 2020

[2] Sustainable Signals: The Individual Investor Perspective – Morgan Stanley – https://www.morganstanley.com/sustainableinvesting/pdf/Sustainable_Signals.pdf, accessed 1 June 2016

MEETING YOUR INVESTMENT GOALS

Interested in finding out more? You might be thinking about investing with a specific goal in mind, or you may just be aiming for a more financially secure future. Speak to us about how we can help.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE TAX BENEFITS RELATING TO INVESTMENTS MAY NOT BE MAINTAINED.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

STRATEGY FOR FINANCIAL WELL-BEING

GOVERNMENT GUIDANCE BODY LAUNCHES FIVE GOALS

A new UK-wide strategy to transform the country's financial well-being in a decade has been launched by the Money and Pensions Service (MaPS) under its government mandate.

The UK Strategy for Financial Well-being sets out a ten-year vision to improve millions of lives and includes five priority areas to help people make the most of their money and pensions. The strategy is aimed at transforming the lives of many individuals, benefitting communities, businesses, the economy and wider society.

The UK Strategy for Financial Well-being establishes five 'agendas for change' and sets goals to be achieved by 2030. These are:

- Financial Foundations: 6.8 million children and young people getting a meaningful financial education – an increase of 2 million from 2019[1]
- Nation of Savers: 16.7 million working age people who are struggling[2] and squeezed[3] saving regularly – an increase of 2 million
- Credit Counts: 2 million fewer people often using credit to pay for food or bills
- Better Debt Advice: 2 million more people getting the debt advice they need; currently only 32% of those who need debt advice access it
- Future Focus: 28.6 million people understanding enough to plan for their later lives, and during them – an increase of 5 million

SUSCEPTIBLE TO FINANCIAL DETRIMENT

The strategy will also examine factors which can make people particularly susceptible to financial detriment, such as mental health conditions and gender. It will be delivered in collaboration with a broad range of organisations and experts from all sectors.

WHAT IS FINANCIAL WELL-BEING?

Financial well-being is about feeling secure and in control. It is knowing that you can pay the bills today, can deal with the unexpected tomorrow and be on track for a healthy financial future. People should feel confident and empowered.

WHY IS A UK STRATEGY NEEDED?

Poor financial well-being has knock-on effects for our mental health, physical health and relationships.

We know that:

- 11.5 million people have less than £100 in savings to fall back on
- 9 million people often use credit to pay for food or essential bills
- 22 million people say they don't know enough to plan for their retirement
- 5.3 million children aren't getting a meaningful financial education

INVESTING MONEY FOR RETIREMENT

People who enjoy good financial well-being are more productive at work, and businesses also benefit from having customers who can afford to keep up with bills and payments. Individuals and the wider economy benefit from people being able to invest money for retirement.

Over the first half of 2020, MaPS will work with leaders and experts from across the public, private and voluntary sectors to set out clear delivery plans to achieve the five goals, with specific plans for England, Scotland, Wales and Northern Ireland.

Following this mobilisation phase, MaPS will develop its own corporate strategy which will define how the organisation will activate the UK Strategy and continue to deliver on essential money and pensions guidance and services to its customers. ■

Source data:

[1] 2018 Financial Capability Survey, Money and Pensions Service.

[2] MaPS defines those who are 'struggling' as people who find it hard to keep up with bills and payments and to build any form of savings buffer. They are the least financially resilient segment and the most likely to be over-indebted.

[3] Those who are 'squeezed' are working-age consumers with significant financial commitments but relatively little provision for coping with income shocks. They are digitally savvy and have high media consumption, but this is more for entertainment than financial information. This is based on the Money Advice Service Target Market Segmentation.

ARE YOU ARE CLEAR ABOUT YOUR FINANCIAL PRIORITIES?

Professionals, business owners, individuals and families rely on our high-quality financial advice and investment services to preserve and grow their long-term savings and investments. To discuss your situation, please speak to us.

EMPLOYEE WELL-BEING

ACTIVE STEPS TO MAKE SURE YOUR PEOPLE ARE HAPPY, HEALTHY AND FINANCIALLY SOUND

Employee health and well-being is high on many businesses' agendas and is no longer merely an afterthought when addressing sickness absence. There is an obvious link between a happy, healthy workforce and improved productivity.

The aim should be to reduce direct healthcare costs, build and sustain high employee morale, drive effective recruitment and retention, improve productivity, and reduce the damaging trend of presenteeism.

PHYSICAL WELL-BEING OF STAFF

But research from GRiD[1], the industry body for the group risk industry, shows that 34% of employers don't offer any support for the physical well-being of staff. Changes to lifestyle can reduce the risk of cancer[2], so support for physical well-being can be an important way for employers to help their staff in terms of prevention.

Furthermore, only one in five (20%) employers offer initiatives to encourage staff to be more active to improve their health, and only 14% offer training on specific areas such as smoking-cessation, nutrition, fitness and lifestyle.

INTEGRAL TO FULL HOLISTIC SUPPORT

Supporting the physical well-being of staff is integral to full, holistic support of staff, and there are many ways that employers can do this, from encouraging lunchtime walks and standing meetings to providing access to specialists to advise on nutrition and health.

The options available for employers to support the physical well-being of staff are constantly being developed. Support for physical health isn't just about treatment but about prevention and early intervention too, and it's important that all are considered when employers are looking at how to support staff best.

EARLY INVOLVEMENT IN ABSENCE

Some illnesses will result in long-term absence. The cost of sickness absence is often high up the list of organisational concerns for an employer, so early involvement in absence and maximising rehabilitation support is prudent.

Cancer is a leading cause of claim[3] across all group risk products (employer-sponsored life assurance, income protection and critical illness), so we know just how much cancer affects employees and their companies. ■

Source data:

[1] Research undertaken by Opinium on behalf of GRiD amongst 500 HR Decision makers between 4 and 18 March 2019.
[2] www.macmillan.org.uk/information-and-support/diagnosing/causes-and-risk-factors/potential-causes-of-cancer/age-lifestyle-diet-reducing-risk.html
[3] GRiD 2019 Claims Survey

INVESTMENT IN EMPLOYEE WELL-BEING SHOULD BE HIGH ON ANY COMPANY'S PRIORITIES

The financial support offered is important at a time when people need it most, but it's important that all the other support – both in terms of prevention and early intervention – are not overlooked: they play an incredibly important part in employers looking after the health and well-being of their staff. If you're a business owner and would like to discuss this further, please contact us to assess your options.

2019/20 ISA ALLOWANCE – USE IT OR LOSE IT

MAXIMISE YOUR WEALTH CREATION – DON'T MISS THE DEADLINE

Whatever you're putting money aside for, there's likely to be a role for Individual Saving Accounts, or 'ISAs'. An ISA is a way of holding savings or investments without paying personal tax on interest received or on the growth of your investment.

Whether you're a novice or an experienced saver, we can help you get the most from your 2019/20 ISA allowance.

TAX YEAR DEADLINE IS 5 APRIL 2020

Each year, you have an ISA allowance which, if fully utilised, can have a big impact over time. ISA allowances can't be rolled over to the next tax year. If you don't use your 2019/20 ISA allowance by 5 April 2020, it'll be gone for good. For the 2019/20 tax year, the ISA allowance is £20,000.

You can split the ISA allowance across different types of ISA, but you can only add money to one ISA of each type in a tax year.

WHAT ARE YOUR ISA OPTIONS?

Cash ISA – a type of savings account, where any interest received is tax-free.

Stocks & Shares ISA – a 'wrapper' for investments, where any investment growth is tax-efficient.

Innovative Finance ISA – a 'wrapper' specifically for peer-to-peer investments, where any interest received is tax-efficient. Peer-to-peer investments are high risk arrangements. You could lose some or all of your capital.

Help to Buy ISA – a regular savings Cash ISA, where the Government will add up to £3,000 if you have contributed £12,000 yourself (these closed to new savers on 30 November 2019).

Lifetime ISA – a type of Cash or Stocks & Shares ISA available to the under 40s since 6 April 2017, designed to help people save for their first home or their retirement. Any interest received or investment growth is tax-efficient. Savings of up to £4,000 per year will be matched by a contribution of up to £1,000 from the Government; any savings above that amount will not receive any additional bonus. You can continue paying into a Lifetime ISA until you are 50.

Junior ISA – a type of Cash ISA where parents can save up to £4,368 per year tax-efficiently for the child. The child gains access to the money at the age of 16, and the account becomes a standard cash ISA at the age of 18.

Inheritance ISA – a Cash ISA specifically for widows, widowers or bereaved civil partners, where the deceased's ISA can be transferred across into the surviving partner's name, in addition to their own annual allowance. ■

WHAT ARE MY ISA OPTIONS?

There are different types of ISA investment options available to investors. What you choose is likely to depend on a number of factors such as investment time horizon or attitude to risk. To discuss the right options for you and your family, speak to us for more information.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE TAX BENEFITS RELATING TO ISA INVESTMENTS MAY NOT BE MAINTAINED.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

Published by **Goldmine Media Limited**
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL

goldmine media

Articles are copyright protected by Goldmine Media Limited 2020. Unauthorised duplication or distribution is strictly forbidden.